GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

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BUDGET DISCUSSIONS

FOR

1934-35

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21st February 1934

BUDGET FOR 1934-35.

The Hon. Sir HOPETOUN STOKES :—" Sir, I rise to present to the House the revised estimate for the current year, 1933–34, and the Budget estimate for the year next ensuing, 1934–35. Before discussing the actual figures, I propose, as is usual, to touch on the events of the past twelve months, but shall do so as briefly as possible. Politically, the year 1933–34 has been upon the whole very tranquil in this Presidency; there have been few or no manifestations of that widespread agitation, tending to unsettle the sense of public security, which a few years back affected, to a not inconsiderable extent, the peace and consequently the finances of the Government. The monsoons have on the whole been kind to us. The south-west monsoon came early and gave heavy rain on the West Coast off and on until September. Elsewhere it was late in development and in most districts did not establish itself until July. From that month until September, however, it was fair and up to the average in most districts. By the end of September the total acreage under cultivation exceeded the average. The north-east monsoon was not quite so satisfactory. Normal in October, it on the whole fell below normal in November and was unduly weak in the following month. The progress of both monsoons was marked by a succession of rain-bursts which in several districts had disastrous effects. Thus during August the districts of Kistna, Guntur, West Godavari and East Godavari suffered from severe floods in the Godavari, Kistna and Budameru rivers, in November the Ramnad and parts of Tinnevelly districts were similarly afflicted, while in the third week of December a violent cyclone struck the coast in the neighbourhood of Cuddalore, and caused extensive damage in the South Arcot district, and the adjacent taluks of Tanjore; Trichinopoly district also was to some extent affected. In all cases the demands of the local officers for funds for immediate needs were promptly met. The full effect of these occurrences upon the revenue has yet to be ascertained precisely, but allowance has been made for it in our estimates as well as provision for repairing damages to buildings, and irrigation works, and for assistance to local bodies in this connexion. The Standing Orders of the Revenue Department provide for relief in such contingencies by remission of revenue, and whatever is found to be necessary on this account will be given apart from the special land revenue remission for faslis 1342 and 1343 on account of the general economic depression.

" 2. The cloud of that depression still rests upon us. Prices have continued at or about the low level to which they had sunk at the beginning of the year and difficulty of obtaining credit still continues. In view of the general economic conditions, Government have decided wholly to remit the Land Revenue suspended in March last for fasli 1342, the amount for the full fasli being Rs. 33·38 lakhs. They have also decided to grant further suspensions of Land Revenue for fasli 1343, the cost of which in the full fasli is calculated to be Rs. 59·73 lakhs. The estimates now presented take note of these concessions. On the other hand there seem to be signs that the darkness is lifting. Conditions of trade

and commerce in Great Britain seem to be improving, and the atmosphere is one of confidence and hope. It will no doubt take time for the effect of these conditions to be felt in trade and commerce here, but it is not too much to expect the result in the near future. Meantime, in South India the position of the tea industry has benefited by the arrangements to restrict production; it is possible that analogous measures may be taken in the rubber industry, while it is to be hoped that the recent negotiations with Japan will improve the prospects of the cotton interests. The protection afforded to the sugar industry by the Act of 1932 has stimulated the starting of sugar factories. Although, however, there are a few streaks of silver in the cloud, it would be unwise to anticipate a sudden or phenomenal change for the better during the year before us, and the estimates now presented are drawn on this footing.

"3. I now come to those estimates, commencing, as is customary, with the Accounts figures for 1932–33.

Accounts for the year 1932–33.

REVENUE ACCOUNT.

"4. According to the Revised Estimate for the year 1932–33, a revenue surplus of Rs. 62·77 lakhs was anticipated. The realized surplus for that period was, however, Rs. 77·21 lakhs. In LAND REVENUE, owing to the introduction of the 12½ per cent reduction, there was a fall on the receipt side of Rs. 8·96 lakhs. The total cost of that remission in the full fasli 1342 was Rs. 33·38 lakhs, of which Rs. 10·71 lakhs affected the Revised Estimate figures of 1932–33, the remainder falling within the Budget of 1933–34. The reduction of Rs. 8·96 lakhs, however, was almost entirely set off by improvements under other receipt heads—such as STAMPS, MAGISTERIAL FINES, INDUSTRIES and the like—amounting in all to Rs. 8·47 lakhs. The net result of these and other minor factors has been that the actuals of the year under review fall short of the Revised Estimate by Rs. 2·90 lakhs only, which may be taken to indicate careful estimation. On the other hand, taking the figures of EXPENDITURE chargeable to Revenue, savings are shown amounting on the whole to Rs. 17·34 lakhs occurring mainly under EDUCATION (3·03 lakhs), due mainly to the equivalent Government grant under the Elementary Education Act having been less than estimated owing to smaller realizations of the tax and to the inability of some local bodies to draw grants owing to the reconstitution of taluk boards; under CIVIL WORKS, including Road Grants (13·96 lakhs), owing to the unanticipated payment by the Coimbatore Municipality of the amount spent by Government on its water-supply in previous years and to the inability of the Public Works Department to spend up to the revised appropriations on the Ellore buildings, the Penitentiary, the General Hospital buildings and Agency communications and of local bodies to spend the amounts placed at their disposal for village and other roads and other heads (·35 lakh). In the result the revenue account surplus for the year shows a betterment of Rs. 14·44 lakhs.

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CAPITAL AND DEBT HEADS.

"5. As regards the figures for the Capital and Debt heads, I do not think I need trouble the Legislative Council with details. Progress on the Cauvery-Mettur Project was more rapid than had been anticipated, the expenditure being greater by Rs. 2·01 lakhs. The progress of the Cochin Harbour works has been held up to a great extent owing to the discussions that have been going on regarding the desirability of proceeding with the IV stage of the works, with the result that the closing balance of the loan taken under this head stood at Rs. 8·37 lakhs, the expenditure having been only Rs. 1·63 lakhs during the year.

Revised Estimate for the year 1933–34.

REVENUE ACCOUNT.

"6. Coming to the figures of the Revenue Account for the current year 1933–34, it will be seen that, as regards RECEIPTS, the Revised Estimate is worse than the Budget Estimate by a net amount of Rs. 98·44 lakhs. By far the greater part of this decrease is to be ascribed to the remission of a portion of the LAND REVENUE in fasli 1342 and the grant of further concessions in this respect for fasli 1343 amounting in the full fasli to Rs. 59·73 lakhs, say, Rs. 60 lakhs in round figure. Of this amount a sum of Rs. 49·48 lakhs is adjusted in the estimates for 1933–34, and Rs. 10·25 lakhs in 1934–35. To the figure of Rs. 49·48 lakhs must be added the remission of that portion of the concessions for fasli 1342 which must be adjusted in the Budget of 1933–34, viz., Rs. 22·67 lakhs. The total gross charge therefore on account of Land Revenue concessions of the two faslis falling on the Budget for 1933–34 is Rs. 72·15 lakhs. Of this about Rs. 7·51 lakhs is set off by minor increases. The remainder of the net fall of Rs. 98·44 lakhs is accounted for by decreases in most of the other revenue heads of the Budget, partly set off by increases under a few of them.

"7. The fall in revenues is discernible under all the principal revenue heads and is certainly disquieting; the figures are EXCISE (–16·14 lakhs), STAMPS (–7·61 lakhs), FOREST (–2·69 lakhs), REGISTRATION (–2·92 lakhs) and MISCELLANEOUS DEPARTMENTS (–6·08 lakhs). The fall under the last head is due almost entirely to reduced receipts under the Madras Motor Vehicles Taxation Act. This general tendency to decline is to be found in those heads which are liable to the influence of the economic depression. The increases, on the other hand, occur only under four heads, viz., INTEREST (+2·55 lakhs), ADMINISTRATION OF JUSTICE (+2·03 lakhs), PUBLIC HEALTH (+1·15 lakhs) and MISCELLANEOUS (+·90 lakh). The increase under INTEREST mainly represents increased interest on deposits of Provincial balances not anticipated when the Budget was drawn up; that under ADMINISTRATION OF JUSTICE is due mainly to increased recoveries of magisterial fines and translation and printing fees. Those under the other two heads are of the nature of minor temporary windfalls which will not recur.

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" 8. The net fall in REVENUE (98·44 lakhs) has been met partly by reduction and partly by re-adjustment of EXPENDITURE. The items which principally contribute to it are as follows:—16. IRRIGATION (*minus* 19·58 lakhs), 41. CIVIL WORKS (*minus* 17·62 lakhs) and 41-B CAPITAL EXPENDITURE ON HYDRO-ELECTRIC SCHEMES (*minus* 35·77 lakhs).

" The decision taken in March 1933 (after the preparation of the Budget) to suspend immediately in certain districts 12½ per cent of the land revenue rendered it necessary to find in the current year's Budget a sum of Rs. 22·67 lakhs, while the decision taken later on to repeat suspension for fasli 1343 on an extended scale involved a further charge on the Revised Estimate of Rs. 49·48 lakhs—total Rs. 72·15 lakhs. We immediately took steps in March last to restrict expenditure amounting to over Rs. 10 lakhs under 41. CIVIL WORKS and other heads, and later on, when the further decision was taken, we decided to finance the schemes of Irrigation and Hydro-Electric development for which provision had been made in the Budget Estimate from current revenue, from the revenue balances direct, and to charge them to the CAPITAL ACCOUNT. The schemes are all productive, and some highly lucrative. Under 41. CIVIL WORKS about Rs. 9 lakhs was deferred; a lapse of about Rs. 4 lakhs is anticipated on the amounts provided for the General Hospital, Madura Hospital and the Penitentiary buildings owing to unforeseen difficulties; and a lapse of Rs. 4 lakhs on account of the decision to abandon a scheme for bridging the Tungabhadra and completion of some road development works at a smaller cost than estimated, coupled with short expenditure of minor amounts on other works, account for the balance of decrease.

" Under other heads savings occur among which I need only notice here a reduction of Rs. 6·59 lakhs under GENERAL ADMINISTRATION due to a lapse of the provision made for general election expenses (8·00 lakhs) partly offset by minor increases of expenditure under the same head, and a fall of Rs. 4·33 lakhs in the expenditure on STATIONERY and PRINTING. This has been due to the fact that our efforts at retrenchment during 1932–33 had resulted in so curtailing the expenditure of stationery that it was unnecessary to purchase so largely as usual during the succeeding year, and a saving of Rs. 2·94 lakhs resulted. Savings are also anticipated in the provision made for 1933–34 for temporary printing establishments and for printing at private presses in view of the near approach, as we expected, of the new Constitution and the consequent necessity for undertaking during the current year the task of preparing revised electoral rolls.

" 9. The final result of the variations in EXPENDITURE which I have mentioned and of several minor ones with which I need not detain the House, is that the Revised Estimate for 1933–34 is expected to close with a small surplus of ·61 lakh, the Revenue Account total being REVENUE Rs. 16,28·27 lakhs and EXPENDITURE charged to Revenue Rs. 16,27·66 lakhs.

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CAPITAL AND DEBT HEADS.

"10. I need not trouble the House with a detailed analysis of the figures under the CAPITAL AND DEBT HEADS. It will be noticed that, as compared with the Budget Estimate, the figure of expenditure taken in the Revised Estimate for the Cauvery-Mettur Project is reduced by Rs. 10·52 lakhs. This does not mean that the work on the project has lagged; the amount represents the cost of the penstock pipes and connected works for utilizing the water power of the lake for generating electricity. These were provided in the course of construction of the dam, and their cost is now written-back to the Mettur Hydro-Electric Project, the estimates for which are under preparation. In the figure relating to the Pykara, Kaitalai and Cochin Harbour Schemes, the House will notice a similar difference of Rs. 5·79 lakhs between the disbursements as allowed for in the Budget and in the Revised Estimates. This short expenditure is due principally to the delay in arriving at a decision regarding the IV stage works of the Cochin Harbour to which I have already referred. On the other hand, the disbursements on account of Loans and Advances and Capital Expenditure on Irrigation, Hydro-Electric and Industrial development are shown in the Revised Estimate as Rs. 64·84 lakhs as against Rs. 40·77 lakhs in the Budget Estimate. The increase is due chiefly to the write-back of the Capital Expenditure on remunerative irrigation works from current revenues to the Capital head 55. IRRIGATION and of the capital outlay on the Mettur Hydro-Electric Works which had been debited to the Cauvery-Mettur Project.

"The Pykara Scheme, so far as the headworks, generating station and principal transmission lines are concerned, has been completed at a capital cost of Rs. 108·01 lakhs of which Rs. 43·27 lakhs has been borrowed. The Cauvery-Mettur Project work is expected to reach completion during 1934–35 at a total cost of Rs. 647 lakhs (round figure) of which Rs. 613·33 lakhs has been borrowed. It will not be necessary to borrow during 1934–35 for the completion of the work.

"The Revenue Closing Balance of 1932–33 stood at Rs. 305·47 lakhs. Of this we have devoted Rs. 37·21 lakhs to financing the Cauvery-Mettur Project (Rs. 17·78 lakhs) and various other items of Capital expenditure (Rs. 19·43 lakhs). Adding the Revenue Surplus of ·61 lakh the Revenue Closing Balance for the current year is now estimated to be Rs. 268·87 lakhs. This forms the Revenue Opening Balance for 1934–35.

Budget Estimate for the year 1934–35.

REVENUE ACCOUNT—PART I.

"11. I now turn to the Budget Estimate for the year that is about to begin. The revenue figures take into account the proceeds—Rs. 3·92 lakhs—of the 5 per cent pay cut on All-India officers serving under this Government, the retention of which for another year has recently been announced by the Government of India. The total estimated revenue

is Rs. 16,43·24 lakhs, the total estimated expenditure charged to revenue is Rs. 16,13·55 lakhs under PART I, leaving an estimated surplus of Rs. 29·69 lakhs available for PART II SCHEMES. Taking first the RECEIPT side of the Revenue Account, it will be seen that, as compared with Revised Estimate for the current year, a net increase of revenue of Rs. 14·97 lakhs is anticipated. To this net increase the main contributing factor is the increase of Rs. 7·33 lakhs under the head XXV. INDUSTRIES. This, I am sorry to say, is not real money. It is due merely to a change in the method of accounting. Hitherto, under this head of account only the recoveries of investments in Government commercial concerns and the profit, if any, have been shown, the normal transactions of the concerns having been kept out of the ordinary Government accounts. The Audit Department having advised that this procedure is not in strict compliance with the requirements of the Government of India Act, it has been decided to exhibit in the Civil Budget Estimate on both sides of the Revenue Account the gross transactions, and the resulting increase under XXV. INDUSTRIES is counter-balanced by a corresponding increase under the head 35. INDUSTRIES on the expenditure side.

"12. The only other REVENUE heads under which the estimates show increases are XXX-A. HYDRO-ELECTRIC SCHEMES (*plus* 2·10), LAND REVENUE (*plus* 21·70) and other heads showing minor variations of less than half a lakh; these contribute *plus* ·81 lakh to the net result. The gross revenue from Hydro-Electric Schemes as per the Revised Estimate for the current year is Rs. 3·75 lakhs; the corresponding figure for 1934–35 is Rs. 5·85 lakhs, the increase being due to more expected sales of electrical power. The Budget Estimate under the Land Revenue head has been prepared on the assumption that land revenue concessions, similar to those sanctioned in fasli 1343, will be repeated in fasli 1344. This assumption is necessary for budget purposes, and is not to be interpreted to mean that the Government have already decided to do so. They reserve a free hand to consider the matter a year hence in the light of the conditions then prevailing. The concessions for fasli 1343 are estimated to result in a gross loss of revenue in 1934–35 by Rs. 10·25 lakhs, while those for fasli 1344 are expected to further reduce the revenue in that year by Rs. 51·60 lakhs, leaving a sum of Rs. 10·27 lakhs to be adjusted in 1935–36. The total gross loss in 1934–35 amounts to Rs. 61·85 lakhs against Rs. 72·15 lakhs in 1933–34. The reason why the total amount in 1933–34 is greater than that in 1934–35 by Rs. 10·30 lakhs is that a larger portion of the charge for fasli 1342 is thrown forward into the current year than is the case in faslis 1343 and 1344.

"The increase of Rs. 21·70 lakhs as compared with the Revised Estimate for 1933–34 is partly due to this decrease in the loss on account of the land revenue concessions and partly to credit having been taken for alteration of the kistbandi of Trichinopoly according to which the last kist, which in last fasli fell in March 1933, will fall in April 1934, affecting therefore the estimates for 1934–35 and not those of the preceding year. Credit has also been taken for some additional revenue

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from the Cauvery-Mettur Project, while allowance has been made for remissions due to the cyclone of December last. No credit has been taken for additional revenue due to proposed resettlement of South Kanara, Salem and Guntur.

" Passing to the other REVENUE heads noticeable decreases, anticipated as compared with the Revised Estimate for 1933–34, occur under XVI. INTEREST (7·99 lakhs), and XXX. CIVIL WORKS (5·88 lakhs). Under CIVIL WORKS the decrease is due to short expenditure on works financed from the Road Development Fund and consequent decrease in the amount transferred to revenue from the deposit head 'Subventions from the Central Road Development Account.' That under INTEREST is due to the expectation that the amount available for deposit with the Government of India in the coming year will be less than that deposited in 1933–34. A decrease of Rs. 2 lakhs is also anticipated under this head owing to the consolidation on a $4\frac{1}{2}$ per cent basis and for a larger period of repayment of various outstanding loans to local bodies bearing interest at rates exceeding that figure. This we have been able to do owing to the fact that the Government of India have been able to give us the benefit of their recent loan conversion operations in respect of the debts we owe to them and we, in turn, have been able to pass on that benefit to those of the local bodies who are in debt to us. It is estimated that the Provincial revenues will benefit in 1933–34 and 1934–35 by Rs. 1·17 and Rs. 2·24 lakhs respectively, while the arrangement made as regards the debts of local bodies will relieve them by an amount of about Rs. 7·00 lakhs annually, payable, however, over an extended period of years. A few brief remarks will suffice for the remaining revenue heads requiring particular notice, viz., EXCISE, STAMPS, FOREST and REGISTRATION. Under STAMPS and REGISTRATION and FOREST, we anticipate no improvement over the revised estimate for the current year. Under EXCISE we have allowed for a further fall of about Rs. 1 lakh. This is the net result of an anticipated loss of Rs. 2 lakhs under licence fees for the sale of arrack shops consequent on a fall in the consumption of arrack, counterbalanced by about a lakh increase in toddy revenue anticipated with reference to the results of the current year's sales. The heads mentioned are those upon which we chiefly depend. Under other heads slight variations occur with the details of which I need not now trouble the House.

" Our estimates, in view of the tendency of practically all heads of REVENUE to decline to which I have already alluded, may be said to be conservative; I am inclined, however, still to think that they err, if at all, on the side of optimism. EXCISE, in particular, is affected by so many factors and is so liable, as we know, to unexpected variations, dependent on the state of the season, the tranquillity of the province and the like, that it is not easy to foresee its vagaries. We have, however, estimated as closely as in reason we can and I hope that we have at least avoided the sin of which some hon. Members have seen fit in the past to accuse us, of underestimating our resources.

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EXPENDITURE CHARGED TO REVENUE IN 1934–35—PART I.

"13. Coming to the EXPENDITURE side of the Revenue Account, provision is made under the heads 15. IRRIGATION and XIII. IRRIGATION for an increase of Rs. ·61 lakh and Rs. 2·32 lakhs for special expenditure and of Rs. 3 lakhs under each head for flood damages and special repairs. This justifies the expectation of some savings on ordinary maintenance and repairs during the year; the increased expenditure mentioned is the net result of setting off the one against the other. Under the head GENERAL ADMINISTRATION, we find an increase of Rs. 4·94 lakhs; of this the greater part represents provision for the cost of the Legislative Assembly Elections (Rs. 3·00 lakhs), the Reforms Office (Rs. ·50 lakh) and for the inauguration, voyage and equipment expenses of the new Governor (Rs. 1·25 lakhs). The head ADMINISTRATION OF JUSTICE discloses an increase of Rs. 1·55 lakhs, due mainly to increased expenditure on pay on account of increments and in part on account of provision for certain additional judicial officers. Under MEDICAL increased cost of hospital necessaries accounts for an increase of Rs. 1·92 lakhs. I have already referred to the change in the method of accounting which has resulted in an apparent increase of Rs. 8·44 lakhs under the head 35. INDUSTRIES. The heads relating to pensions and their commutation show an increased provision respectively of Rs. 1·46 and Rs. 4·73 lakhs mainly due to increase in payment of pensions in England and to anticipated increase in commutations in India. The reduction of the interest rates will lead to an increase in the amounts payable by way of commutation. The above are the noticeable items of increase. Noticeable decreases may now be touched upon. Under INTEREST, we save Rs. 2·43 lakhs partly because we have avoided borrowing in 1933–34 and partly because of the reduction from $6\frac{1}{2}$ per cent to $5\frac{1}{2}$ per cent on outstanding advances of 1922–23, to which effect has been given from 1st April 1932. The reduction in the rate to which I have already referred will give us, it is anticipated, a further relief of about Rs. 1·00 lakh in 1934–35; the decreases shown under EDUCATION (Rs. — 4·43 lakhs), PUBLIC HEALTH (Rs. — 3·69 lakhs) and MISCELLANEOUS DEPARTMENTS (Rs. — 1·12 lakhs) are mainly due to the grants debitable to these heads being treated as PART II EXPENDITURE. The head CIVIL WORKS shows a decrease of Rs. 28·79 lakhs; this is due partly to the provision for grants-in-aid, for buildings, roads and bridges, and major water-supply and drainage schemes being taken under PART II; partly because we have not been able to repeat for 1934–35 the special provision of Rs. 5 lakhs for the repair of trunk roads for want of funds as a result of the land revenue concessions. We have, however, been able to include under this head some extra provision (Rs. 3·00 lakhs) for repair of flood damages, including assistance in this regard to local bodies.

"The net result of the variations (plus or minus) on the EXPENDITURE side is that the Part I figures of expenditure disclose a net reduction of Rs. 14·11 lakhs.

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Part II Schemes for the year 1934–35.

" 14. I now turn to the Part II Schemes. The various departments put forward very large demands for 1934–35. Taking them all together they represented a total *ultimate* commitment of Rs. 104·04 lakhs of which Rs. 96·56 lakhs was non-recurring, and Rs. 7·48 lakhs recurring expenditure; for 1934–35 they demanded an expenditure of Rs. 52·34 lakhs of which Rs. 48·55 lakhs was non-recurring and Rs. 3·79 lakhs recurring. These were to be met from CURRENT REVENUES. In addition, the departmental demand covered schemes of CAPITAL EXPENDITURE to be met from REVENUE BALANCES, costing in 1934–35, Rs. 23·94 lakhs, with an ultimate commitment of Rs. 32·47 lakhs all non-recurring.

" The Finance Committee, with admirable care, performed their difficult task of classifying the large number of schemes submitted to them. They were informed that probably about Rs. 20 lakhs would be available, and with reference to this figure they made their recommendations as regards those to be taken up for 1934–35. At the same time, they indicated in respect of all the schemes their view as to classification, placing in Class III (i.e., schemes to be taken up if money is available) most of those for the immediate undertaking of which they could not find money. As, upon a further scrutiny of the estimates, it has been found possible to find a few lakhs additional funds, the Government have added to the schemes placed in Class II a certain number of those from Class III, and it is proposed now to allocate Rs. 25·76 lakhs in all for PART II SCHEMES CHARGEABLE TO CURRENT REVENUES, a sum of ·39 lakh of which is covered by additional revenue expected from some of the schemes. I do not propose to detain the House now by a detailed review of these schemes. They represent about one-quarter of the ultimate commitment of the departmental demands and about one-half of the commitment which those demands involve for 1934–35. Of the total now allotted about Rs. 3·82 lakhs (14·8 per cent) appertains to the 'RESERVED' subjects, and Rs. 21·94 lakhs (85·2 per cent) to the 'TRANSFERRED.'

" Besides the Part II Schemes chargeable to CURRENT REVENUES, the Finance Committee considered ten schemes chargeable to the REVENUE BALANCES, of which they recommended 9 to be put in Class II for 1934–35. The cost of these, including charges for establishment and tools and plant is Rs. 24·03 lakhs in that year; the total ultimate commitment (non-recurring) is about Rs. 31¾ lakhs. Of the proposed expenditure of Rs. 24·03 lakhs in 1934–35, about Rs. 18·77 lakhs represent loans to the Madras Corporation and other Local Boards and Municipalities for water-supply, drainage and other schemes; Rs. 4·24 lakhs is for capital outlay on various Hydro-Electric schemes for the supply of electric power; of the rest the greater portion is provision for irrigation improvements in Kistna.

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REVENUE SURPLUS IN 1934–35.

"15. The final result is that the Revenue Account will close with a small surplus of Rs. 4·46 lakhs, taking Parts I and II together. The Government propose to retain this in their own hands against unforeseen demands.

CAPITAL AND DEBT HEADS, 1934–35—PARTS I AND II.

"16. The total estimated expenditure for 1934–35 under the CAPITAL and DEBT heads is Rs. 133·31 lakhs. Of this Rs. 15·15 lakhs is required for the Cauvery-Mettur Project, Rs. ·88 lakh is for industrial development (Cinchona plantations), Rs. 46·98 lakhs for capital outlay on Hydro-Electric schemes, and Rs. 55·14 lakhs for Loans and Advances by the Government including Rs. 10 lakhs for the Cochin Harbour, on which we hope to resume progress in 1934–35.

"Against the total of Rs. 133·31 lakhs we have available the opening balance of Rs. 8·37 lakhs in the Cochin Harbour Account; loans recoveries provide Rs. 35·99 lakhs and the remainder (Rs. 88·95 lakhs) will be financed from the Provincial Balances. On the receipt side of the account the figure Rs. 35·99 lakhs makes allowance for a fall of about Rs. 5 lakhs due to the consolidation (to which I have already referred) of all loans to local bodies bearing interest in excess of $4\frac{1}{2}$ per cent and their re-issue at this rate.

"It will be observed that the Budget adopts the policy of financing remunerative capital schemes from the balances instead of from current revenue. That process may continue so long as money is available in the balances. When no more is available, we must either borrow, if we cannot find funds from current revenues, with or without increased taxation. The only other alternative is stagnation.

"17. Here I may remind the House in passing that the Government have had in view the early inception of various important schemes of Capital Expenditure. There is the Tungabhadra Project to which the ryots of the Ceded districts have been long looking forward; its cost is not known precisely, but may be put at not less than Rs. 12 crores. Another scheme for the benefit of the Coimbatore district is the Bhavani scheme of which, probably, the cost will be not less than Rs. 2 crores. There is also the next great step in the extension of electrical power facilities—the Mettur Hydro-Electric Scheme, likely to cost about Rs. $1\frac{1}{2}$ crores, for the benefit of the Salem and North Arcot districts, I believe, as well as of the Chingleput district and of Madras itself. These enterprises can only be financed from borrowed money and loans can only be financed from current revenue. These schemes have yet to be considered, particularly in their financial aspect, so that I cannot do more at present than indicate the possibility that, with its revenue position weakened by the Land Revenue concessions already given, the Government may be obliged to abandon, or indefinitely to postpone a considerable part

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of its programme until either it is found possible to restore the land revenue to its old level, or to devise alternative sources of revenue. And, if that is the position with a 12½ per cent remission, it is obviously much worse with a 25 per cent remission such as the House recently voted. I shall attempt later on in my speech to illustrate further the probable effects of that resolution.

"18. A few remarks may be made on the important items of expenditure.

"The total estimated cost of the CAUVERY-METTUR PROJECT was Rs. 723·11 lakhs. The actual expenditure to end of 1932–33 has been Rs. 605·61 lakhs; in 1933–34 it is expected to spend Rs. 25·68 lakhs (after adjusting to the credit of the project by debit to the Mettur Hydro-Electric scheme a sum of Rs. 9·72 lakhs as already explained.) The dam and distribution works will be practically finished in 1934–35 for which year the demand is Rs. 15·15 lakhs. From the outset up to the end of 1932–33, the money required has been found from advances from the Provincial Loans Fund; for 1933–34 and 1934–35 no advances from that fund are required, the necessary funds being found partly from the balance of the loan taken from the Provincial Loans Fund in 1932–33 and partly from our balances.

"Under IRRIGATION, ETC., WORKS OTHER THAN THE CAUVERY-METTUR PROJECT are included a number of works in progress of which the most important are the Kistna East Bank Canal scheme and the Kattalai scheme, which includes the Bed Regulator across the Cauvery at Kattalai, the High Level channel and the North Bank Canal scheme. For the Kistna East Bank the total estimate is Rs. 28·49 lakhs of which Rs. 27·53 lakhs will remain to be spent at the close of 1933–34. Expenditure of Rs. 7·20 lakhs is provided for 1934–35. The estimated cost of the Kattalai scheme (including the North Bank Canal) is Rs. 28·42 lakhs of which Rs. 18·62 lakhs will be spent by the end of the current year leaving Rs. 9·80 lakhs still to be found; a sum of Rs. 4·15 lakhs is provided for 1934–35.

"The total amount to be drawn during 1934–35 from the revenue balances will thus be Rs. 88·95, i.e., Rs. 64·92 lakhs under Part I of the estimates, and Rs. 24·03 lakhs for Part II Schemes. We expect to close the current year with a balance in the Revenue account of Rs. 268·87 lakhs to which must be added the estimated revenue surplus of Rs. 29·83 lakhs, including Rs. ·14 lakh representing the *pro rata* charges for Public Works Department establishment on account of new Irrigation Capital works provided for in the budget estimates, which has been transferred from Revenue to Capital section and met from balances. Deducting, on the other hand, the anticipated net expenditure on account of Part II Schemes for next year (Rs. 25·37 lakhs) and the amount to be drawn from the balances for capital expenditure (Rs. 88·95 lakhs), the closing Revenue Balance for 1934–35 is estimated to amount to Rs. 184·38 lakhs.

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RE-INTRODUCTION OF PAY CUT.

"19. It will be seen from the analysis of the estimates now presented that the Government have not seen their way to accept a suggestion which has been urged, not only in this House but in the Public Press, that, at a time of economic depression like the present, the Government should re-introduce the salary cut from which, with effect from the beginning of current financial year, they relieved all provincial officers and servants under their control. A resolution was recently tabled by my friend, Mr. P. V. Krishnayya Choudari, M.L.C., urging a graduated scale rising from 5 per cent on incomes between Rs. 50 and Rs. 100 to 15 per cent on salaries of Rs. 500 and over. That resolution was not reached, but in the course of the discussion on the resolution to remit 25 per cent of the land revenue, frequent references to the 'pay cut' were made. I propose therefore to advert now to the subject. As regards the Government's position, it is the same as was explained to the House in my Budget Speech in February last year, announcing the intention of the Government to restore the 'pay cut,' in so far as their powers extended, from 1st April 1933. I then dwelt at some length on the matter and need not repeat now in full what I then said. I need only remind the House of the pledges which this Government gave that the measure was an extraordinary and exceptional one, adopted in the presence of financial difficulties so great as to amount to a national emergency; that it was a temporary expedient to which recourse would be had only so long as it was absolutely necessary, and that the relief from the pay cut would take the first place when the improvement in the finances should render this possible. Now, what has been our financial position since the occurrence of the acute financial stringency of 1930–31 and 1931–32? At the close of 1930–31 we had a revenue deficit of Rs. 105·75 lakhs. At the end of 1931–32 we had a realized revenue surplus of Rs. 5·41 lakhs; this was due in great part to an unexpected recovery in the abkari revenue of about ¼ crore, but partly also to the immediate results of the measures of economy which the Government took in that year. For 1932–33 we anticipated a revenue surplus of about Rs. 8½ lakhs in Part I. During that year, however, the further effects of retrenchment made themselves felt; revenue continued to recover and expenditure decreased; the revised estimate for that year pointed to a revenue surplus of Rs. 62·77 lakhs, and we realized an actual surplus of Rs. 77·21 lakhs. In preparing the Budget Estimate for 1933–34 we considered that we were justified in relaxing considerably the financial curb. Apart from the removal of the pay cut on provincial and subordinate services, items retrenched were restored amounting to Rs. 9·56 lakhs, the principal beneficiaries being the Education department, to the tune of Rs. 6·95 lakhs. According to our Budget Estimates for 1933–34, we anticipated a revenue surplus of Rs. 4·08 lakhs, after providing Rs. 76·38 lakhs for Part II Schemes, and retaining the restored items of retrenched expenditure. After providing (by the means already explained) further for a sum of Rs. 72·15 lakhs on account of

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land revenue remissions for faslis 1342 and 1343 which fell on the estimates for 1933-34, we now expect to close the year with a small revenue surplus of Rs. ·61 lakh. We may call it a budget of equilibrium. For 1934-35, we anticipate again a small revenue surplus of about Rs. 4 lakhs after providing for land revenue remission of about Rs. 62 lakhs, and about Rs. 25 lakhs for Part II Schemes. Such, broadly speaking, is the position. It cannot, I think, in the face of these figures, be said that we are confronted now with a financial crisis such as would justify us in again having recourse to an expedient adopted only by reason of the suddenness and magnitude of our past difficulties.

"20. In particular I should say that we should not be justified in deferring compliance with our pledges *in order* mainly to find funds for expansions of expenditure such as are known as Part II Schemes. In saying this, I do not mean to take up the position that under no circumstances would the Government be justified in embarking on fresh expenditure of any sort so long as their servants or any of them were being subjected to a 'pay cut.' That is a point on which I dwelt at some length in my Budget speech of 1932-33 (paragraphs 18-19). I pointed out that (if I may quote my own words) 'the business of Government is not so simple that one can draw a line and say "Here is our limit; further, expenditure beyond this is unnecessary."' Contemplating as I did then a modest Part I surplus of about Rs. $8\frac{1}{2}$ lakhs, I indicated that the admission of Part II Schemes would not be incompatible or inconsistent with the existence of a 'pay cut' within due limits provided that they are of pressing necessity, that they do not commit us, or materially commit us, beyond the year for which we budget, and provided that the amount is modest and in no case such as may affect our ability to redeem the undertaking given. On the other hand, when we have now for three years not only balanced our budget, but have provided for substantial expansions of expenditure as well as substantial remissions of taxation, it would certainly not be in accordance with the letter or spirit of the pledges we have given to re-impose the pay cut on our servants. It is conceivable, of course, that circumstances may occur which may render that course necessary. If that should be so, it will be for the Government to consider how best to meet whatever contingency may have arisen. So far as the budget now presented is concerned, the Government do not consider that the existing circumstances require recourse to this expedient.

"21. I do not think I need dwell further on this topic in the present context. I will only make one further observation with reference to the feelings which several speakers expressed in the debate on the 25 per cent remission proposal. They, in effect, said 'Why should these officials on fat pay continue just as they are, now that food-grains etc., are so much cheaper, while we others are suffering from low prices?' This sort of argument, in so far as it is not derived from mere envy, seems to be based on misunderstanding or on a failure to

reflect. In the first place, it is not the case that the bulk of the officials concerned are on 'fat pay.' The vast majority of them are on small pays. In the second place, it should not be forgotten that the Government servant pays income-tax and other taxes like anybody else. As regards taxes of the nature of income-tax, in particular, he pays to the last anna.

"22. The general character of Government service has also to be borne in mind. It offers a man a competence with an assured provision for his old age. It does not offer a man a prospect of a fortune; it deprives him from participation in many fields of activity which are open to his non-official fellows; it deprives him to a great extent of individual freedom. The compensation for these disadvantages is to be found in the certainty of the salary and pension which it ensures, and that certainty has in the past been and must always be its principal attraction. Take away that security, and there is a grave danger of deterioration in the quality of the men and the efficiency and honesty of their service. That is why the Government have attached throughout great importance to the security of salary and have only assented to a temporary infringement of it with reluctance and in the face of what has been described as a 'national' crisis. That is why they feel that a 'cut' involving, as it does, a departure from the most explicit pledges, is an expedient to be adopted only when other measures fail.

LAND REVENUE CONCESSIONS.

"23. There is one other matter upon which the House will expect some observations from me, and that is the proposals for land revenue remission. Before going further, there are one or two general considerations which I think are germane to the subject and need to be borne in mind. The first is the character and the causes of the low price levels. I do not propose, nor indeed am I competent, to attempt a disquisition on the abstruse economic controversy in which this complicated subject is wrapped. I wish merely to point out that the various problems presented by the depression—whether it be excessive economic nationalism, or the existence of vast war-debts, reparations and so on—are none of them matters with which individual Governments, not even the Governments of great States, can effectively deal, much less a subordinate Government such as ours is. And the same applies to the application of the remedies, international stabilization of exchanges, mutual removal of trade restrictions or whatever they may be. General co-operation has been tried and so far has failed, and individual nations here and there are trying to arrange working agreements with each other with a view to find a solution of their particular difficulties that may be tolerable to both. What the outcome may be one cannot guess, but my point now is that it is idle to expect a Provincial Government to find remedies for an evil of which the causes and the cures are far beyond its competence.

"24. It is obvious that no remission of taxation which this Government can contemplate will afford a remedy for the low prices of

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which we complain. A world-wide evil cannot be thus encountered. If that is so, it appears to me to follow that the measure of what a Provincial Government should attempt to do is what it can afford to do, consistently with maintaining its own solvency and retaining the ability to discharge with a reasonable degree of efficiency the functions which devolve upon it. And that is the policy which this Government is seeking to pursue. And this brings me to a further consideration which I would ask this Council to bear in mind in weighing this question. It is that in this country the Government is called upon constantly, to undertake expenditure in numerous directions in which elsewhere initiative and accomplishment is left to, and is undertaken by, non-Government agency. It is needless for me to weary the House with illustrations of this; numerous instances will occur, I am sure, to every Member who gives his mind to the subject. With the reasons why this is so, I am not here concerned. The fact remains, and it follows that, unless the Government is to withdraw, in great measure or wholly, from various fields of activity, it must retain in its hands the resources necessary to enable it to continue those activities at least upon a reasonable footing; in other words, its power to come to the relief of the class which pays land revenue must be proportionately restricted. It is all very well for the Members of this House to exclaim, as several of them did, in the heat of debate, 'Away with these activities.' We don't want 'nation-building' expenditure if we can't get land revenue remission while retaining it. What is the use of nation-building if by refusing remission you destroy the 'nation,' i.e., the ryots? and so on. Sir, I am afraid, rhetorical exuberance of this sort is not going to get us very far, nor is it very helpful to the Government in discharging its duties in these difficult times. And I am persuaded that, if the Government sought to do away with or even seriously to curtail the expenditure in these directions, its proposals would be received with no less vehement explosions of eloquent reproach from the same hon. Gentlemen. In fact, in respect even of such reductions as we have been compelled to make in the budget now presented in order to provide for the measure of relief now proposed to be given, we shall be denounced by the parties interested with bell, book and candle. In my speech on the 25 per cent cut resolution, last November, I drew attention to this aspect of the case, and from the interjections of certain hon. Members on that occasion, it is to be gathered that they had hardly realized the position. Since then I have had worked out, very roughly, the financial effect on the Revised Estimate for 1933-34 and the Budget Estimate for 1934-35. The additional loss of revenue works out probably to Rs. 61·69 lakhs in 1933-34 and Rs. 97·24 lakhs in 1934-35. The Revised Estimate for 1933-34 would have been in deficit by Rs. 61 lakhs and the closing balance of Rs. 184 lakhs in 1934-35 would be reduced to Rs. 123 lakhs. In the next year (1934-35) the total estimated surplus works out to about Rs. 30 lakhs. Probably we should have to provide a small sum (say Rs. 5 lakhs or so) for absolutely essential Part II Schemes; leaving

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Rs. 25 lakhs or so available. We should still have to find, say Rs. 72½ lakhs in 1934-35. If this were found from the balances by declaring a revenue deficit of this amount, the balance in March 1934-35 would stand at about Rs. 50¾ lakhs. If, further, the land revenue remission on this basis were continued for fasli 1344, the portion of its cost falling due in 1935-36 is about Rs. 47 lakhs; so that by 1935-36 the whole of your Provincial balances would be swallowed up. If, on the other hand, we attempted to find the money by retrenchment of current expenditure in 1934-35, it is improbable that much could be done in retrenching personnel; we have already in the past three years done a great deal in this direction and not a great deal more can be done without crippling the administration. In any case retrenchment of personnel takes time. The other principal 'Expenditure' head is IRRIGATION, for which Rs. 40·19 lakhs is provided under '15. IRRIGATION,' and Rs. 36·28 lakhs under 'XIII. IRRIGATION.' Most of this represents expenditure on maintenance and repairs which cannot be foregone without danger. The rest represents costs of various improvements intended for the benefit of the ryots of which they ought not to be deprived. Suppose, however, that we were able to find, say Rs. 5 lakhs or so under this head, then the remaining 67 lakhs could only be found by reducing grants under all heads. Roughly the reduction would amount to 30 per cent at the lowest, rising in some cases to 40 per cent of the existing grants. I do not think that such a state of things would be received with equanimity by anyone concerned. Even if the 'pay cut' were reimposed on all Provincial and Subordinate Services on the basis of 5 per cent, as recently announced by the Government of India, it would give us only some Rs. 13½ lakhs from the 1st April 1934, which would not materially decrease the percentage rate of reduction in grants above indicated. I do not say that this is precisely what would have to be done, but it is not improbable that the vote of this Council on the 25 per cent remission proposal would have given some such results.

"25. And, for whose benefit principally—it is pertinent to ask—are such restrictions to be imposed on the power of the Government to comply with the consent calls upon it? The answer usually given is, of course, 'the ryot, who forms the backbone of the population, who pays the bulk of the land revenue,' etc., etc. I do not deny that the small ryots, who form the majority of those who pay land revenue, will experience some relief by being excused the payment of 12½ or 18¾ or 25 per cent of the kist—representing, say, in the case of a 10-rupee pattadar—Re. 1-4-0 to Rs. 2-8-0 per year. But he will not be slow to observe the consequences, in the shape of reduced expenditure on tanks and other irrigation works, of the abandonment or indefinite postponement of improvements for which perhaps he has been sighing for years past; in less money for schools for his children, and for medical or veterinary relief for himself or his livestock; in less or no money for his village wells or the roads which he uses; in less or no money for various other benefits which the Government has

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been striving to give him, and of which he is yearly learning to appreciate the value. He is shrewd enough to set off in such matters the loss against the gain, and has in fact already begun to do so. Still less is the fact likely to escape him that, if he—the small man—stands to gain a small sum, with corresponding disadvantages, it is the big man who stands to gain substantially, while he is in many respects less affected by the disadvantages, especially where, as is frequently the case, he does not reside on the land.

"And, leaving the agricultural voter, what shall be said of the masses of the poor whose needs are so pressing and so obvious—the landless labourer, the small shop-keeper and the rest? These gain nothing by the land revenue remission, but stand wholly to lose by a measure which can only cripple the power of the Government to aid them. Does this House owe no duty to them?

"26. I fear, Sir, that perhaps I have detained the House unduly, but if hon. Members will bear with me, there is one other aspect of the case which I would wish once more to press upon their consideration. I have already drawn attention to it in speaking on the 25 per cent resolution. We are now approaching the time when Provincial autonomy is to be granted, and it is the earnest desire not only of the Government, but of every well-wisher of Madras and of India that the scheme, whatever it may be, should be launched under the most favourable conditions. And of those conditions perhaps the most essential is that the new Government should start financially in a reasonably favourable position. Nothing could be more disastrous, or more prejudicial to the chances of success of this great constitutional experiment than that Ministers should, from the very outset, find themselves hampered by want of adequate resources. The Government have felt that it behoves them to adopt a financial policy which keeps this aspect of the matter prominently in view. If they have felt obliged to resist the exorbitant demands for land revenue remission that have been pressed upon them, it is not because they do not realize that the fall of prices has caused and is causing hardship to many, but because, in dealing with those demands, they have felt it their duty to take longer views and to consider the near future as well as the immediate present.

CONCLUSION.

"27. Before I sit down, let me express to the Members of the Public Accounts and Finance Committees my sense of the obligation under which they have laid not only the Finance Member but also the Department and the Government by the helpful care they have exercised in performing the functions with which the House entrusted them. Lastly, I should like once again to express my cordial thanks to the Financial Secretary, Mr. Hood, his officers and the staff of his department for the excellent work which they have done during the year now closing. They have fully maintained that high level of efficiency which in past years has more than once been recognized

by high financial authority, and, if Madras has managed thus far to come through a period of great difficulty with success, we owe it primarily to those who have served us so well in this, the most pivotal department of all."

The Hon. the PRESIDENT:—"The general discussion on the Budget will commence on the 23rd February 1934. During the discussion I propose to prescribe a time-limit of 20 minutes for the speech of a Leader of a Party and 10 minutes for the speech of any other Member. I would suggest that the reading of manuscript speeches should be exceptional. In regard to such speeches, I propose to prescribe a time-limit of 6 minutes. The afternoon of Monday the 26th February 1934 will be at the disposal of Hon. Members of Government to make their replies."

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R. V. KRISHNA AYYAR,
Secretary to the Legislative Council.

GENERAL DISCUSSION OF THE BUDGET FOR 1934-35.